

## Bachus Statement During Financial Regulatory Reform Hearing

October 29, 2009

WASHINGTON - Congressman Spencer Bachus, the Ranking Republican on the House Financial Services Committee, made the following statement during the Full Committee hearing entitled: "Systemic Regulation, Prudential Matters, Resolution Authority and Securitization."

"Mr. Chairman, as you know from the letter you received from the House Financial Services Republican Members yesterday, the process for considering the most far-reaching, significant reforms of our financial system since the Great Depression should be deliberative and not hurried.

"The draft legislation that is supposed to be the subject of this hearing was not released until Tuesday afternoon. I doubt that any of today's witnesses - with the possible exception of Secretary Geithner - have had the opportunity to fully comprehend the legislation in its entirety, or to arrive at informed views on its merits. Under the rules of this Committee, the witnesses' written testimony was due two days before this hearing, which is to say it was due before the draft bill was released. Their written testimony therefore cannot and does not address in any meaningful way the legislation we will be marking up early next week.

"Although we've had the draft bill for less than 48 hours, even a cursory reading shows that the Administration has chosen to continue its failed policy of costly taxpayer bailouts orchestrated behind closed doors by officials at the Treasury and the Federal Reserve. The Democrats' talking points that their new proposal ends the era of 'too big to fail' are just that - talk. Their proposal places taxpayers first in line to bear the losses when the government invokes its resolution authority. And for those who believe that those taxpayer losses will subsequently be recouped from surviving firms, I would direct their attention to the recent examples of GM, Chrysler, Fannie Mae, Freddie Mac and AIG, where the prospects for full taxpayer reimbursement are fanciful.

"In fact, in testimony before this Committee last month, former Federal Reserve Chairman Paul Volcker warned that a resolution authority with the power to lend or provide money would 'encourage the too big to fail syndrome.'

"In an attempt to avoid naming the institutions it deems 'too-big-to-fail,' the Administration's legislative proposal forgoes the transparency and full disclosure that are the hallmark of America's capital markets. In the place of an open and transparent process, it substitutes a regulatory regime built around a 'secret list' of too-big-to-fail institutions. It is foolish to assume such a list can be kept secret. Are we so gullible as to believe that regulatory authorities from eight government agencies will be able to impose increased capital requirements and a host of other regulatory constraints on so-called 'identified' firms without market participants quickly figuring out which firms are on the list? Are companies expected to treat this information as immaterial for purposes of filing financial reports to the SEC? Until these questions are answered, it is simply irresponsible for this Committee to accept such a foundational premise and move forward with this legislation.

"The Administration's desire to get something - anything - done to satisfy some arbitrary deadline imposed on the Chairman will result in this Committee passing a product that has not received the careful deliberation necessary to ensure sound legislation. Mr. Chairman, is it too much to ask that Members of this Committee, and the people we represent, have enough time to read and understand the far-reaching implications of this legislation?

"This Committee's haste also stands in marked contrast to the view expressed by Federal Reserve Vice Chairman Donald Kohn, who said: 'I hope we build a regulatory structure that's good for a couple of decades, and it's worth taking our time to get it right.'

"The American economy is fragile, we learned this morning that we continue to lose jobs. Uncertainty is the enemy of job creation and growth. I subscribe to Vice Chairman Kohn's view that we must proceed in a deliberative and thoughtful way. The stakes are too high to do otherwise."

###